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OIL STATES ENERGY SERVICES, LLC,

Petitioner,

v.

GREENE'S ENERGY GROUP, LLC, *et al.*,

Respondents.

On Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

BRIEF OF *AMICUS CURIAE* U.S. GOLF MANUFACTURERS COUNCIL IN SUPPORT OF RESPONDENTS

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INTEREST OF *AMICUS CURIAE*[1]

Amicus Curiae U.S. Golf Manufacturers Council ("USGMC") is the trade organization representing golf equipment manufacturers doing business in the United States. Underscoring the importance of innovation in golf, USGMC quotes legendary golfer Bobby Jones on its homepage: "Whatever improvement has been wrought in golf clubs, and it has been considerable, has been done by a careful and sensible improvement in the methods of construction." https://www.sfia.org/industryaffairs/committees/golfcouncil (last visited October 20, 2017). And it is a considerable, careful, and sensible improvement, both fostered and policed by a functioning patent system. In conjunction with the 2002 Masters Tournament, the United States Patent and Trademark Office ("Patent Office" or "PTO") issued a press release, noting:

> Golf is one of America's most popular sports, and those who play it for fun or for fortune spend countless hours of time and money trying to improve their games. The thousands of patents on golf-related inventions are testament to that. In the past five years alone, more than 8,000 patents have been granted

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[1] Pursuant to S. Ct. R. 37.6, counsel for the USGMC represent that they authored this brief in its entirety and that none of the parties or their counsel, nor any other person or entity other than the USGMC or its counsel, made a monetary contribution intended to fund the preparation or submission of this brief. Pursuant to S. Ct. R. 37.2(a), counsel represent that all parties have given blanket consent to the filing of *amicus* briefs in support of petitioner, respondents, or neither party, all of which have been docketed by the Clerk.

> on golf-related equipment and gadgets. More than 1,400 of these are associated with golf clubs. . . . Nearly 1,000 more patents are related to golf balls. . . .

Patent Office, *USPTO Recognizes Patents on Golf-Related Inventions as Masters Tournament Opens*, Press Release #02-24 (Apr. 24, 2002) (available at https://www.uspto.gov/about-us/news-updates/uspto-recognizes-patents-golf-related-inventions-masters-tournament-opens) (last visited October 20, 2017) (ellipses added).

Suffice it to say, USGMC members have a direct stake in the U.S. patent system. As noted, the golf industry is heavily patented. Golf industry patents cover a variety of improvements or changes to products, such as golf club heads or golf balls, which range from incremental to highly significant. These patents often deal with intricate and diverse subject matter, including physics, micron-level surface treatments, chemical compositions and coatings, computer software, and motion sensors. Thus, the USGMC has a strong interest in protecting the integrity of the game and, as a corollary, ensuring the quality of the vast number of golf-related patents.

Similarly, USGMC members value a patent system that is technically sophisticated. Patent applications from golf manufacturers tend to be examined by a small cadre of Patent Office examiners who, over time, become familiar with this field. Industry members rely on the subject-matter knowledge of these

professionals at the Patent Office to understand the technology and what constitutes a patentable improvement to it.

Additionally, USGMC members operate in an industry with added layers of self-governance that make reliably valid patents especially important. Manufacturers must develop products that comply with the U.S. Golf Association's Rules of Golf, which place additional (and evolving) constraints on innovation. Complying with these constraints often requires adhering to known technical concepts, many of which were never patented, and hence unavailable to patent examiners conducting a prior art search. For this and other reasons, USGMC members must be able to assist the Patent Office through *inter partes* review by calling relevant, unknown prior art to the office's attention.

Finally, USGMC members favor a system that can weed out invalid patents expeditiously and economically. USGMC members know first-hand the high cost of patent litigation in federal court. They have found themselves frequent targets of non-practicing entities, a/k/a "patent trolls," which routinely file suit against industry members knowing that the amount in controversy is likely not high enough to justify the extraordinary costs of defending a patent suit through judgment and appeal.

With these factors in mind, the USGMC submits this brief in support of Respondents because its members have a commitment to, and investment in, a well-functioning patent system, which includes a fair,

efficient, and effective administrative process in which stakeholders can identify invalidating prior art, and Patent Office professionals then correct errors by invalidating and canceling claims that should not have been issued in the first instance.

SUMMARY OF ARGUMENT

The USGMC submits this brief in support of a simple proposition: *inter partes* review works. If the goal of the patent system is to promote the progress of science and useful arts for the public good, valid patents should be issued and invalid patents, if mistakenly issued, should be canceled. Patents should not be written in indelible ink. Even patent examiners can, and do, make mistakes, especially when knowledgeable stakeholders are frozen out of the *ex parte* patent application process, and thus are unable to speak up and point out that a proposed patent is invalid over prior art. Allowing patent examiners to review the validity of patent claims through *inter partes* review is preferable to requiring federal courts to invalidate improperly granted patents in potentially thousands of additional lawsuits, or even worse, allowing thousands of dubious patents to be enforced through "cost of litigation" settlements without ever having their validity evaluated.

The evidence that *inter partes* review is stopping specious patent claims is indisputable. Since the *inter partes* review process was added, nearly 7,000

petitions have been filed, two-thirds of which have resulted in the institution of a review proceeding. Of instituted *inter partes* review proceedings that have gone to a final written determination, over 80% have resulted in the cancellation of some or all of the patent claims. In other words, roughly 3,700 of the *inter partes* review petitions filed in the past five years – more than half – have resulted in cancellation of some or all of the challenged patent claims.

The suggestion that *inter partes* review is an indiscriminate death star destroying good patents is demonstrably wrong. In appeals from decisions of the Patent Trial and Appeal Board ("PTAB") in *inter partes* review proceedings, the Patent Office prevails over 80% of the time. Stated differently, the Patent Office regularly concludes, and the Federal Circuit concurs, upon reconsideration, that some patents the Patent Office issued should not have been.

Furthermore, *inter partes* review achieves these ends more quickly and inexpensively than federal lawsuits. Although not inexpensive, the median $250,000 cost of *inter partes* review pales in comparison to the average $3,100,000 cost of litigating a mid-sized patent case to judgment in federal court. Additionally, by statute, an *inter partes* review proceeding ordinarily must be resolved within one year, whereas federal court patent litigation takes on average 2.33 years to run its course. Both in theory and in practice, *inter partes* review has lived up to its promise to erase invalid patents efficiently and economically.

The alternative to *inter partes* review is to overload federal judges and lay juries with possibly thousands of additional patent cases that will be more expensive to try, and take longer to yield less reliable results. Further, the argument against *inter partes* review radically reimagines an administrative state in which any number of so-called "private rights" – trademarks, oil and gas leases, national park concessions, interstate highway paving contracts, *etc.* – would be awarded through a process that acts as a one-way ratchet: an administrative agency can grant "private rights," but only a federal district court can remedy an agency's mistakes. The Constitution is not so inflexible as to force virtually all errors made by the Patent Office (or any other administrative agency) to be resolved exclusively by Article III judges and lay juries.

ARGUMENT

INTER PARTES REVIEW IS AN EVENHANDED, EFFICIENT, AND EFFECTIVE METHOD FOR THE PATENT OFFICE TO ENSURE PATENT QUALITY BY ELIMINATING ERRORS.

***Inter Partes* Review Serves the Public Interest in Patent Quality.** The primary purpose of the patent system is, of course, "to promote the progress of science and useful arts." U.S. Const., art. I, § 8, cl. 8. This Court has variously referred to this public interest as "the main object," *Pennock v. Dialogue*, 27 U.S. 1, 19 (1829); the "primary[] object" and the "true policy

and ends of the patent laws," *Kendall v. Winsor*, 62 U.S. 322, 327-28 (1859) (brackets added); and the "dominant [interest] in the patent system." *Edward Katzinger Co. v. Chicago Metallic Mfg. Co.*, 329 U.S. 394, 401 (1947) (brackets added).

The various doctrines of patent invalidity exist to serve that purpose. "It is the protection of the public in a system of free enterprise which alike nullifies a patent where any part of it is invalid. . . . The patent is a privilege. But it is a privilege which is conditioned by a public purpose." *Mercoid Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 665 (1944) (citations omitted and ellipsis added). "It is as important to the public that competition should not be repressed by worthless patents, as that the patentee of a really valuable invention should be protected in his monopoly. . . ." *Lear, Inc. v. Atkins*, 395 U.S. 653, 663-64 (1969) (quoting *Pope Manufacturing Co. v. Gormully*, 144 U.S. 224, 234 (1892)); *cf. KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 415-16 (2007) (obviousness doctrine protects against withdrawal of what is already known to the public from public use).

Congress created *inter partes* review in 35 U.S.C. §§ 311-319 to serve this public interest. Congress characterized the goals of *inter partes* review as "improving patent quality and providing a more efficient system for challenging patents that should not have issued." H.R. Rep. No. 112-98, pt. 1 at 39-40. That is, "[t]he legislation is designed to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive

litigation costs." *Id.* at 40 (brackets added); *see also Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2139-44 (2016) (describing *inter partes* review). Thus, while *inter partes* review may help "resolve concrete patent-related disputes among parties, *inter partes* review helps protect the public's paramount interest in seeing that patent monopolies . . . are kept within their legitimate scope." *Cuozzo*, 136 S. Ct. at 2144 (quotation omitted and ellipsis in original).

Recognizing the primary role of *inter partes* review as serving the public interest in the invalidation of wrongly-issued patents, this Court has described the Congressional design of *inter partes* review as a "hybrid proceeding," embedding certain characteristics of an adversarial proceeding into what is essentially a standard form of administrative review. *Cuozzo*, 136 S. Ct. at 2144. While the manner of proceeding does allow a petitioner to participate in challenging the validity of an issued patent, "the purpose of the proceeding is not quite the same as the purpose of district court litigation." *Id.* Where the purpose of litigation is to adjudicate the competing rights of private parties, the animating purpose of *inter partes* review is not to resolve a private dispute, but to allow the Patent Office "to reexamine an earlier agency decision," *i.e.*, to double-check its work. *Id.* Just as the game of golf depends on the integrity of the players, the patent system depends on the integrity of issued patents.

The scorecard suggests that *inter partes* review has succeeded, allowing the Patent Office – using its specialized training and patent law expertise – to take

a second look at issued patents and winnow out claims that were improperly granted based on the prior art. According to the most recent available statistics from the PTAB, a total of 6,831 *inter partes* review proceedings have been filed between September 16, 2012, and August 31, 2017. *See* PTAB, *Trial Statistics IPR, PGR, CBM* at 2 (Aug. 2017) (available at https://www.uspto.gov/sites/default/files/documents/trial_statistics_2017_08_31.pdf) (last visited October 20, 2017). Of petitions filed during the last three fiscal years, approximately two-thirds have resulted in the institution of a review proceeding. *See id.* at 7 (ranging from 63% to 68%, and including *inter partes*, covered business method, and post-grant review proceedings). Of instituted review proceedings that have gone to a final written determination, as opposed to being withdrawn due to a private settlement or some other disposition, the Patent Office has canceled all challenged claims in 65% of proceedings, canceled some challenged claims in 16% of proceedings, and canceled none of the challenged claims in 19% of proceedings. *See id.* at 11 (including *inter partes*, covered business method, and post-grant review proceedings). In other words, in over 80% of the instituted review proceedings, the Patent Office has canceled some or all of the challenged claims.

In appeals from decisions of the PTAB in *inter partes* review proceedings, the Patent Office almost always prevails. A recent study looked at Federal Circuit decisions on the merits of appeals from PTAB determinations in *inter partes* and covered business method review proceedings. *See* Rachel C. Hughey & Joseph W.

Dubis, *Navigating Post-Grant Proceedings: What Two Years of Federal Circuit Decisions and the Supreme Court's* Cuozzo *Decision Tell Us About Post-Grant Proceedings Before the PTAB*, 64-FEB Fed. Law 70, 72 (Jan./Feb. 2017). Of these, 123 were appeals from *inter partes* review proceedings. In those appeals, 71, or 57%, were summarily affirmed without opinion. *See id.* Of the remaining cases, 28 were affirmed. *See id.* Only 24 were remanded or reversed at least in part. *See id.* That is, the PTAB's determination was affirmed in its entirety in 80% of appeals from *inter partes* review proceedings.

Inter partes review succeeds for several reasons.

First, *inter partes* review redresses an imbalance in the prior patent system by allowing persons aware of potentially invalidating prior art to present that art to the Patent Office in a proceeding in which they can actually participate. This fact is particularly important to the U.S. golf industry, where industry competitors have both information about prior art not readily available to patent examiners, *e.g.*, magazine articles, competitor advertisements, and catalogs, and incentive to bring that prior art to the attention of patent examiners once they become aware of an issued patent.

Second, *inter partes* review provides the Patent Office with the best opportunity to correct its errors, thereby eliminating wrongly-issued patent claims and improving patent quality. Because a small number of patent examiners consider most golf-related patents, patent examiners evaluate prior art *if* it is brought to

their attention. And it is the Patent Office's subject-matter expertise that led the Court in *Cuozzo* to observe that, in "significant respects, *inter partes* review is less like a judicial proceeding and more like a specialized agency proceeding." 136 S. Ct. at 2143.

Third, inter partes review achieves both of these goals more efficiently and less expensively than federal litigation, which costs a fortune, and is conducted by judges and before juries that lack the technical expertise of the examiners and administrative patent judges of the Patent Office. We briefly address each of the reasons the *inter partes* review process works within the framework of the Constitution. While patent validity can be raised as a defense in a patent infringement action, the question of whether a patent was properly issued in the first place is something the Patent Office should be allowed to revisit to protect the integrity of the patent system.

***Inter Partes* Review Reestablishes Fairness in an Otherwise Partial Patent Application Process.** One systemic problem with the patent system is that the pre-issuance examination process is tilted, both by design and circumstance, in favor of the issuance of patents. The procedure for obtaining a patent is a one-sided affair, involving only an applicant seeking a patent and a Patent Office examiner. *Cf. Phillips v. AWH Corp.*, 415 F.3d 1303, 1317 (Fed. Cir. 2005) (*en banc*) (patent prosecution is "an ongoing negotiation between the PTO and the applicant"). "The initial examination step is hurried, *ex parte*, and comparatively cursory." Stephen Yelderman, *The Value of Accuracy in*

the Patent System, 84 U. Chi. L. Rev. 1217, 1281 (2017). The applicant is presumed to be entitled to a patent unless the examiner can show otherwise. *See* Sean B. Seymore, *Patent Asymmetries*, 49 U.C. Davis L. Rev. 963, 977 (Feb. 2016) ("Thus, the burden of proving unpatentability rests with the PTO."). Patent examiners are overworked, with "notoriously little time to think through the relationship between the known prior art and the advance claimed" by the applicant. Rochelle Cooper Dreyfuss, *Nonobviousness: a Comment on Three Learned Papers*, 12 Lewis & Clark L. Rev. 431, 434 (2008).

Patent Office examiners face significant challenges in handling the volume of applications that cross their desks. A 2016 study by the Government Accountability Office highlights a number of these hurdles. *See* U.S. Gov't Accountability Off., GAO-16-883T, *Patent Office Has Opportunities to Further Improve Application Review and Patent Quality*, 3-6 (2016) ("GAO Report") (available at http://www.gao.gov/assets/680/679830.pdf) (last visited October 20, 2017). Two-thirds or more of patent examiners reported that they have less time than they need to complete a thorough examination of each application. *Id.* at 5. One recent study estimates that examiners spend an average of 19 hours total on each application. *See* Michael D. Frakes & Melissa F. Wasserman, *Is the Time Allotted to Review Patent Applications Inducing Examiners to Grant Invalid Patents? Evidence from Micro-Level Application Data*, 99 Rev. Econ. & Stat. *8-9, 41 (forthcoming 2017) (cited in Yelderman, 84 U. Chi. L. Rev. at 1233 n.46).

Over 80% of examiners reported receiving applications accompanied by an excessive number of prior art references. GAO Report at 3. Examiners reported difficulties finding certain categories of prior art, including foreign language references in particular. *Id.* at 3-4. And often examiners complain that they must deal with unclear applications. *Id.* at 7-8. Nearly 90% of examiners reported always or often dealing with applications containing broadly worded claim language. *Id.* at 8. Nearly two-thirds of examiners reported that this broad claiming made the process of examination more difficult. *Id.* And 45% of examiners reported routinely encountering ill-defined terms in the applications they review. *Id.* at 7.

The resulting picture is not a pretty one: overworked examiners with too little time to review unclear applications containing broadly-worded claims which cite an unreasonably large number of prior art references, which often is not the most relevant prior art. The odds that an examiner will focus on, and be in a position to apply, prior art, or portions thereof, most relevant to any particular application are not good.

Adding to the difficulty the Patent Office faces in properly vetting applications is that the only participants in the process are the patent applicant and the examiner. A patent application remains confidential until, at the earliest, 18 months from the earliest filing date from which the applicant seeks to benefit. 35 U.S.C. §§ 122(a)-(b). Thus, interested parties will likely not even learn of the existence of an application for at least that length of time. Further, the Patent Office

Director is required by statute "to ensure that no protest or other form of pre-issuance opposition to the grant of a patent on an application may be initiated after publication of the application without the express written consent of the applicant." 35 U.S.C. § 122(c); *see also Animal Legal Defense Fund v. Quigg*, 932 F.2d 920, 930 (Fed. Cir. 1991) ("A third party has no right to intervene in the prosecution of a particular patent application to prevent issuance of an allegedly invalid patent.") (citations omitted).

In sum, a third party to which the issuance of a patent might be directly relevant likely will not learn of the existence of the patent until at least 18 months after its filing, and cannot do anything to challenge its validity until *after* it has issued, at which point it is presumed to be valid. *See Microsoft Corp. v. i4i Ltd. P'ship*, 564 U.S. 91, 95 (2011). The result is a system with an in-built incentive structure that promotes the allowance of questionable patents; and this system tends to generate a vicious cycle in which an increasing number of applications are filed, which increases the workload of the examiners, which leads to the grant of more patents, which leads to a further increase in the number of applications, and so on. *See* Dreyfuss, 12 Lewis & Clark L. Rev. at 434; Robert P. Merges, *As Many As Six Impossible Patents Before Breakfast: Property Rights for Business Concepts and Patent System Reform*, 14 Berkeley Tech. L.J. 577, 590 (1999).

Recognizing its own limitations, the Patent Office conducts reviews of issued patents for validity. In a recent review of approximately 4,000 randomly selected

office actions from the fourth quarter of 2016, the Patent Office calculated that 11.6% of those actions did not comply with the statutory requirements of 35 U.S.C. § 102 (anticipation) and 35 U.S.C. § 103 (obviousness), the two grounds for cancellation through *inter partes* review. *See* Patent Office, *Correctness Indicator* (available at https://www.uspto.gov/patent/initiatives/correctness-indicator#step1) (last visited October 20, 2017). Other analyses conclude that as many as 28% of all issued patents would be wholly or partly invalidated on grounds of anticipation or obviousness if litigated. *See* Shawn P. Miller, *Where's the Innovation: an Analysis of the Quantity and Qualities of Anticipated and Obvious Patents*, 18 Va. J.L. & Tech. 1, 52 (Fall 2013). Whether the number of patents that should be invalidated as obvious or anticipated is 11% or 28%, it is self-evident that there should be a mechanism for the Patent Office to cancel erroneously-issued patents.

***Inter Partes* Review is More Effective at Ensuring Patent Quality.** As one of several available means of challenging the validity of claims of issued patents, *inter partes* review meets this need directly. None of the available means of challenging patent validity is in itself sufficient. Federal litigation is limited to Article III disputes between patent-owners and accused infringers. In litigation, the accused infringer has the full range of invalidity defenses available to it, but must prove invalidity by clear and convincing evidence to overcome the presumption of validity. *See Microsoft*, 564 U.S. at 95. Underscoring that *inter partes*

review, unlike federal litigation, is aimed at error-correction, not resolving private disputes, a patent-owner has the opportunity to amend patent claims during an *inter partes* review proceeding. *See* 35 U.S.C. § 316(d). Indeed, the *en banc* Federal Circuit just this month held that it is the party challenging validity that bears the burden of persuasion in establishing that an amended claim is *not* patentable. *See Aqua Prods., Inc. v. Matal*, 2017 WL 4399000 (Fed. Cir. Oct. 4, 2017) (*en banc*).

Ex parte reexamination proceedings allow a broad range of validity challenges, but deny meaningful participation in the proceeding to the challenger once a piece of prior art has been presented to the Patent Office. (And if *inter partes* review does not pass constitutional muster, it may be that *ex parte* reexamination proceedings would succumb to the same arguments.) Any person may submit to the Patent Office printed prior art matter or statements of the patent owner in a federal court or Patent Office proceeding in which the patent-owner took a position regarding the scope of a patent, but the proceeding itself marches on without any meaningful involvement from the person who submitted the prior art. *See* 35 U.S.C. § 301(a).

Much as the *ex parte* prosecution process favors the issuance of a patent, the *ex parte* reexamination proceeding favors the survival of the reexamined patent. Although over 90% of *ex parte* reexamination petitions result in the initiation of a reexamination proceeding, only 12% of patents that enter reexamination fail to receive a reexamination certificate, either

for the original claims or amended claims. Gregory Dolin, *Dubious Patent Reform*, 56 B.C. L. Rev. 881, 924 (2015). "Given the statistics, the odds favor a patent reemerging from a reexamination unscathed or nearly so and the accused infringer has limited hope to prevail." *Id.* In addition, the *ex parte* reexamination process, which can be employed multiple times against the same patent, can foster uncertainty about the status of patent claims subject to serial reexamination. *See id.* Thus, reexaminations do not meet the objective of having the validity of a patent thoroughly and conclusively evaluated.

Post-grant review proceedings, a complement to *inter partes* review, allow any member of the public to challenge the validity of an issued patent in the Patent Office on any statutory ground, but only within nine months of issuance. *See* 35 U.S.C. § 321(b)-(c). (And it is difficult to see how post-grant review proceedings would not succumb to the same constitutional arguments asserted against *inter partes* review.) Both post-grant review and *inter partes* review contain estoppel provisions that prevent a petitioner from later making the same invalidity arguments in litigation concerning the same patent. *See* 35 U.S.C. § 315(e) (*inter partes* review); 35 U.S.C. § 325(e) (post-grant review). Although *ex parte* reexamination and post-grant review proceedings are less successful than *inter partes* review proceedings in interring invalid patents, elimination of these three proceedings would dramatically increase the number of "zombie" patents that could only be finally put to rest through invalidation in federal court.

The judges of the PTAB, who oversee post-grant and *inter partes* review proceedings, have technical backgrounds and substantial patent law experience that enable them to render informed decisions on questions of patentability. *See* Todd R. Walters, *et al.*, *The Evolution of Patent Office Litigation Practice Under the AIA*, 9 No. 3 Landslide 40 (Jan./Feb. 2017) (citing 35 U.S.C. § 6, requiring that "administrative patent judges shall be persons of competent legal knowledge and scientific ability"). This technical and legal expertise may explain the high rate of affirmance of PTAB determinations compared with district court litigation. *See* Hughey & Dubis, 64-FEB Fed. Law at 72; Brian J. Love & James Yoon, *Predictably Expensive: a Critical Look at Patent Litigation in the Eastern District of Texas*, 20 Stan. Tech. L. Rev. 1, 20, Table 8 (2017). Further, these proceedings are efficient and accurate because they are limited in focus to the evaluation of questions of patent validity, in this way retaining the structure of patent examination. Discovery is limited to that needed to address the validity challenges raised. *See* 47 C.F.R. § 42.51.

***Inter Partes* Review Is More Efficient than Litigation.** In addition to its superior efficacy in identifying and canceling invalid patent claims based on prior art, *inter partes* review has another advantage over district court litigation. It is more efficient, whether efficiency is measured in time or money.

An *inter partes* review proceeding, once instituted, must be resolved within one year, subject to at most a six-month extension for good cause. 35 U.S.C.

§ 316(a)(11). By contrast, the median time to trial in a patent infringement action in federal district court is 861 days, approximately two-and-one-third years from inception to trial. *See* Love & Yoon, 20 Stan. Tech. L. Rev. at 14, Table 4.

Inter partes review is not inexpensive. One estimate puts the median cost of a PTAB proceeding through a hearing before the PTAB at $250,000. *See* Am. Intell. Prop. L. Assoc., *2017 Report of the Economic Survey*, I-162 (calculating average cost as $324,000); *see also* Yelderman, 84 U. Chi. L. Rev. at 1282 n.198 (citing Am. Intell. Prop. L. Assoc., *2015 Report of the Economic Survey*, I-139, that average cost of administrative challenge is $330,000). But its cost pales in comparison with that of litigating a case to judgment in a federal district court, where the median cost of a mid-sized patent suit is $1.9 million to see a case through discovery, and $3.1 million to see it through trial. *See* 2015 Report of the Economic Survey at I-111 (cited in Love & Yoon, 20 Stan. Tech. L. Rev. at 22 n.62); *see also* Inter Partes *Review: a Multi-Method Comparison for Challenging Validity*, 6 Cybaris Intell. Prop. L. Rev. 107, 132 (2015) (median costs of litigation through trial range from $650,000 where less than $1 million at stake to $5,500,000 where greater than $25 million at stake). In sum, *inter partes* review can serve to invalidate obvious and anticipated patents expeditiously and economically, without burdening the federal judiciary or jury pool. The comprehensive pre-grant and post-grant administrative scheme creates a

patent system in which valid patents remain in force, and invalid patents are canceled.

Overloaded Federal Courts Is A Problem, Not The Solution. The alternative to *inter partes* review is to overburden federal courts and jury pools with potentially thousands of additional patent cases, or, even worse, to allow continued enforcement of patents that should have been invalidated as obvious or anticipated, but were not because of the absence of a cost-effective means to challenge their validity. In 2015, there were 5,825 new patent lawsuits filed in federal district court. *See* Love & Yoon, 20 Stan. Tech. L. Rev. at 6, Table 1. According to the Patent Office, that same year, 1,654 *inter partes* review petitions were filed. Patent Office, *Patent Trial and Appeal Board Statistics*, at 4 (Dec. 31, 2015) (available at https://www.uspto.gov/sites/default/files/documents/2015-12-31%20PTAB.pdf) (last visited October 20, 2017). Certainly, there will be some overlap between the patents asserted in district court and challenged in *inter partes* review. *Cf.* Aashish Kapadia, Inter Partes *Review: a New Paradigm in Patent Litigation*, 23 Tex. Intell. Prop. L.J. 113, 140 (2014), Appendix I (detailing 172 motions to stay district court litigation pending *inter partes* review filed between 2012 and 2014). Even factoring in such overlap, eliminating *inter partes* review easily could lead to over 1,000 new federal patent lawsuits each year. Adding thousands of additional federal patent lawsuits to be heard by Article III judges and lay juries is not a recipe for promoting the progress of science and useful arts.

It is no answer to argue that many of these federal lawsuits may never be filed. Many interested persons with knowledge of highly relevant prior art would, unless challenged with infringement, lack Article III standing. Still other interested parties would lack the resources to spend millions of dollars on expensive patent litigation in federal court. By definition, given the cancellation rate in *inter partes* review proceedings, and the high affirmance rate of such proceedings at the Federal Circuit, a large percentage of those petitions are meritorious, *i.e.*, the patent is invalid as obvious or anticipated. Particularly given a litigation system in which patent trolls routinely extract "cost of litigation" settlements because it is too expensive to defend in federal court against even suspect patents (an acute issue for the U.S. golf industry), *see* Fed. Trade Comm'n, *Patent Assertion Entity Activity*, 10, 88-90 (2016); Ranganath Sudarshan, *Nuisance-Value Patent Suits: an Economic Model and Proposal*, 25 Santa Clara High Tech. L.J. 159, 172 (2008), elimination of *inter partes* review likely will prevent any court or jury from invalidating many, if not most, of the patents that the Patent Office would invalidate if given a do-over. A patent system that cannot correct its own mistakes and eliminate invalid patents is also not a system that promotes the progress of science and useful arts. But a patent system that enables expeditious and cost-efficient correction of its own mistakes fosters both the public's confidence in that system, and assists that system – overburdened and understaffed as it is – with the public's help in weeding out those mistakes.

Finally, the logic of Petitioner's argument is not limited to *inter partes* review, or even patents. In numerous contexts, federal administrative agencies grant potentially valuable rights or franchises to private parties. And, after issuance, interested parties often may seek to overturn or modify such awards before the federal administrative agency. Thus, an interested party can apply to cancel a mark before the Trademark Trial and Appeal Board in an adversarial proceeding. *See* 17 U.S.C. § 1067. Similarly, an interested party can file a bid protest relating to government contracts, and pursue an adversarial proceeding before the Government Accountability Office. *See* 4 C.F.R. §§ 21.0-21.14. Likewise, any person affected by a Bureau of Land Management ("BLM") decision concerning grazing rights may appeal that decision to a BLM administrative law judge. *See* 43 C.F.R. § 4.470(a). Other such contestable rights include mineral leases, use of National Forest lands for ski resorts, and rights to use water, timber, or wildlife resources. *See* Sandra B. Zellmer & Robert B. Daugherty, *The Changing Nature of Private Rights to Federal Resources*, 2017 No. 1 RMMLF-INST *5-2 (Jan. 26, 2017). The list goes on and on. Driving all disputes over such issues into federal court is neither desirable, feasible, nor constitutionally mandated.

In enacting *inter partes* review, Congress has pursued, and satisfied, the valid constitutional purpose of protecting the public from the issuance and maintenance of invalid patent claims by allowing the experts at the Patent Office to check their own work when interested persons present them with potentially

invalidating prior art. The Constitution does not prevent the Patent Office from rectifying its own mistakes.

CONCLUSION

The U.S. Golf Manufacturers Council respectfully submits that the Court should affirm the holding of the Federal Circuit.

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